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G. R. S. IX-5]

Previous references. 1903-04

G 7-9-39-1611

192

(G. 7.)

File No. 1-00

Serial Nos 167

Later references.

P-38

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 167.

Part B for April 1904.

SUBJECT.

Management of the Woollen, Cotton & Silk Mills, Bangalore.

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6 To. The Agents, Auditors, & Treasurer of the Bangalore Woollen, Cotton & Silk Mills Co: Limited Bangalore.

No 7(1) 2729 D 7644-1904
G 7 241-92

Enquires to inform when the resignation re the retirement of Mr J Lawson was made & requests to forward a copy of it for refce.

From the above

Ent. 7.

Ent. 6

WD 1888—GPB—16,826—23-7-21

Endorsed
7/8/22

Mysore 20th October

MYSORE GOVERNMENT
GENERAL
7641
23

To G 71-03-1

The Secy to Govt of Mysore
Genl. & Revenue Depts.

Sir,

I have the honor to forward by Book Post a Printed copy of a Memo on the Management of the Kolhar & Mills, Bangalore, - drawn up for circulation among shareholders - for the information of Govt & for such action as will ensure the distribution to the Shareholders of a fair proportion of the earnings of the Mills.

II. There is not the shadow of a suspicion that there has been any mismanagement in the working of the Mills; but the Agents have a tendency to err on the side of over caution by writing off too large a share of the earnings to depreciation, which a weak Direction is not able to check. The result of this action of the Agents is that the Shareholders have had no return whatever for their shares for 5¼ years & the Mill-shares are unsaleable, though the Mills

Mills as they stand, with:—

Capital — 6,00,000

Depreciation Fund — 5,64,114.

Debenture Sinking Fund — 72,862. = Rs 6,36,976

that is, sums set apart from actual earnings in 18 years exceeding the Capital of Rs 36,976 are perfectly safe for investment.

One of the posts of Govt Director is vacant owing to the retirement of Mr. Loobroyer, who has no personal interest in the concern. The Examiner of P & Accts would be a suitable officer if he could be induced to take an active interest. It is the declared Policy of Govt. to foster & safeguard industrial undertakings & in furtherance of this object the appointment of Govt. Directors, I would beg to suggest, should carry with it the obligation to submit an Annual Report to Govt. detailing the part taken by them in the working of the Mills.

I hope that early orders will issue so as to enable me to get up a Shareholders Committee before the Annual General Meeting in January 1904.

I have the honor to be Sir
Your most obt. Servt.

[signature]

Govt Director.

To

Messrs. BINNY & Co.,

AGENTS, SECRETARIES AND TREASURERS,

Bangalore Woollen, Cotton and Silk Mills Co., Ld.,

BANGALORE.

DEAR SIRS,

I beg to enclose a Memo. of the general practice which obtains in England, as far as I have been able to ascertain, in determining the rate of depreciation and the method of calculating it in the working of Factories.

If you agree in the system indicated, perhaps you will see your way to recalculate the depreciation on the basis brought to your notice, at least to the extent of wiping off the existing Debit balance, and thus making future profits available for distribution to Shareholders.

I have the honor to be,
Dear Sirs,
Yours most obedient servant,
STANDISH LEE,
Government Director.

DEPRECIATION.

The object in view of writing off a percentage annually for depreciation is to make the Capital account always represent, as nearly as possible, the real value.

The effectual method of doing this is to *Re-value* everything at stated intervals, so that, the deterioration due to a period of arduous working, or to an average or an idle one, would be properly allotted.

The method generally followed is, however, to fix an average rate to be written off every year and to check the result by valuation at long intervals.

In determining the rates of writing off for any year, it is proper to take into account the activity or slackness of the work, and where there are separate departments, the hours of actual work have also to be considered, while in average or normal years of working a moderate rate of depreciation may suffice, advantage should be taken of prosperous years to write down liberally the book value of plant.

Buildings and machinery require different rates. Where buildings are properly maintained in good repair out of revenue,—a depreciation of 1½ per cent. is sufficient. Land maintains its full value, while the construction of railway and other facilities for transport, increase the value of the site. As regards machinery,—of fixed plant, the deterioration of steam engines and boilers will be greater than those of the machines worked by them, while plant not set up and unissued stores and tools should be omitted. Unless there is an apprehension of the plant becoming obsolete, 2½ per cent. is sufficient in the case of machinery of good quality moderately worked, when the expenses of installation and of liberal repairs are defrayed out of revenue.

It is usual in writing off the percentage to calculate it, not on the original value, but from the balance of the plant account of the previous year, plus additions, if any, during the year. Thus, at the end of the first year if 10 per cent. is written off 10,000 Rupees, then 10 per cent. will on the second year be written off 9,000 Rupees and so on. Additions, however, will go to neutralise such reductions.

4

THE BANGALORE WOOLLEN, COTTON AND SILK MILLS CO., LIMITED,

BANGALORE, *3rd September* 1901.

STANDISH LEE, ESQ.,

Bangalore.

DEAR SIR,

We are in receipt of your letter of the 30th ultimo, covering Memorandum on depreciation.

There is a certain amount of truth in what your Memo. states, but general principles are to be modified according to circumstances. Your Memo. states that "*advantage should be taken of prosperous years to write down liberally the book value of Plant*" and we welcome so sound an opinion, but we are waiting for these prosperous years to make up for the time when a sufficient amount of depreciation was not written off. We shall also have to make up for the *present period,* nothing being written off during these hard times.

Depreciation on textile machinery stands on a different basis from that required in many other industries, as it is principally required to cover, not the mere wearing out of the machines, but their supercession by improved plant. The history of cotton machinery during the last thirty or forty years is one of rapid change and nothing like finality has so far been even approached. Each change has been in the direction of increased out-turn with the same amount of labour, capital and practically, power, employed, so that newer mills are constantly enabled to compete on improved terms with older established concerns. Under these conditions, the only possible salvation lies in the provision of ample means for renewal of plant and any calculation based on the possible working life of a machine is entirely inadequate for the purpose. A revaluation of these Mills on such a basis and the taking of the difference to credit of Profit and Loss account, as we understand you proposed to do, would be a sacrifice of the future of the concern for the immediate benefit of present Shareholders and would, we consider, be unwise in the highest degree, besides being illegal.

We have had very considerable experience in this matter with other Mills and we do not consider that the rate of depreciation charged here has been at all excessive.

The 2½ per cent. rate you quote, if charged on cost, would mean a working life, before reduction to scrap value, of close on thirty years, whilst, if charged on diminishing yearly balances, as is the practice in many concerns, the period would be about double that time. The latter is the method you appear to contemplate.

As a matter of fact, much textile machinery has ceased to work to the best competitive advantage in ten years and has become obsolete in twenty.

There are, at the present moment, Mills of recent construction, in competition with this concern, whose spindles are being run at 50 per cent. more speed than ours, with a corresponding increase in production per spindle. This is solely because their machinery is newer than ours, although ours was the best obtainable a few years ago.

This fact alone should surely convince you of the impolicy of any such course of action as you advocate.

We are, Dear Sir,

Yours faithfully,

for The Bangalore Woollen, Cotton and Silk Mills Co., Ltd.,

Per pro. Binny and Co. of Madras,

J. W. CHAMBERS,

Agents, Secretaries and Treasurers.

MEMO.

WOOLLEN, COTTON AND SILK MILLS CO., LD.

Depreciation Fund.

The Agents were addressed on the 30th August 1901 (copy attached) in view to a readjustment of the Depreciation Fund on the lines of the practice in England,—as explained in the memorandum accompanying the letter,—so that the Shareholders may profit by what was actually earned by these Mills, which is the legal source for dividends.

The Agents in their reply, dated 3rd September 1901, admitted the principle, and by omitting to charge depreciation in 1901 (*vide* extracts from Directors' Reports accompanying) and reducing the amount in 1902 have to some degree rectified the excessive writing off. But since they say that a revaluation of the Mills, and a write back as suggested by me, is illegal, I would suggest that the matter be referred for Legal opinion. I am in a position to show that the approved English practice is, to fix an average rate to be written off every year, and to check the result by valuation at intervals.

The valuation need not be costly. The Mill Managers are quite competent to ascertain the extent to which a machine has worn and to assess its value accordingly; or, to decide whether it is obsolete and requires replacing. As regards the Buildings, the Directors could determine the percentage of deterioration.

The Agents do not allude to my contention that the rate of deterioration should be regulated according as the period or year was one of arduous working, or an average, or an idle one. A reference to the extracts from the Directors' Reports, accompanying this, will show that they have made no such distinction in calculating the Depreciation for the years 1898, 1899 and 1900, when the Mills were worked short time.

That there should be provision to replace obsolete machines is no doubt correct; but the improvements in machinery is confined to a fraction and does not affect the whole of the machinery. There are several machines now working of patterns twenty to thirty years old.

The Agents also take no notice of the usual practice of writing off the depreciations on the *balance of plant, &c., of the previous year.* The following example will show to what extent their system absorbs, the earnings and reduces the sums for payment of Dividends.

The report for the first quarter of 1900 says:—"Short time, five days a week, was commenced in the Cotton Department on 1st March and was reduced to four days on the 23rd idem. The Mill has continued to work on this basis up to date."

2nd Quarter.—"The Mill has been working short time" * * "four days a week."

3rd Quarter.—"For the quarter the Mill has been working short time."

4th Quarter.—"The (Cotton) Department has only worked fifty-seven days out of a possible seventy-seven". * * "It does not seem likely that this Mill can go on to full time. It cannot of course pay properly whilst working short time." (Report, 31st December 1900).

And yet during such a period,—when the machines were standing idle, or working short time,—the Depreciation written off is Rs. 68,476 ! ! An abnormally high rate when the Mill was partially idle and working at a loss. But even granting that full Depreciation should be written off in such a year, the amount worked out on the balances of the year last preceding (1899) amounts to Rs. 40,392 as under :—

	Rs.
Immoveable property	2,77,260
Plant	8,25,050
Total ...	11,02,310
Deduct Depreciation Fund	4,29,104
Nett value ...	6,73,206

6

Calculating the Depreciation at 6 per cent.—the usual rate as far as can be ascertained from the Balance Sheets,—the writing off amounts to Rs. 40,392, whereas Rs. 68,476, or Rs. 28,084 which should go towards Dividends, have been written off.

Debenture Sinking Fund:—In the prosperous years, 1896 and 1897, the Directors formed a "Debenture Sinking Fund," which with accumulated interest at 6 per cent. stands now at Rs. 72,862. This Fund was from earnings, which is the legal source for the payment of Dividends.

The years succeeding the prosperous years having been disastrous to earnings I contend that the amount set apart for paying off Debentures should be written back to Profit and Loss account.

By the Resolution of the Directors (*vide* Circular 1st September 1902) they have decided to keep the Debenture Loan at 400,000,—the original figure—and since it is nowhere mentioned how the Rs. 72,862 are to be applied, that sum is now available to write back.

I would suggest this matter also to be referred for Legal opinion.

The system adopted by the Agents, I submit, amounts to sacrificing the interests of the present Share-holders,—who have paid full value for their shares and have had no return for 5¼ years for their money, to ensure profits for future Shareholders, who can now purchase the shares at a large discount.

In the opinion of the Agents "the position of the Mills has not deteriorated" (Report, 30th September 1900) and yet the shares are unsaleable at 20 per cent. discount. The reason,—since "the Mills have not deteriorated"—is apparently due to the abnormal appropriation of profits to other heads than Dividends.

In the 2nd Quarter of 1896, the Directors sanctioned an allowance of Rs. 1,000 a month to Mr. Chambers. There is no mention as to whether this allowance was continued to be drawn when the Mills were practically not working for many years thereafter.

STANDISH LEE,
Government Director.

16*th September* 1903.

BANGALORE WOOLLEN, COTTON AND SILK MILLS, COMPANY, LD.

Extracts from Annual Balance Sheets, from 1896 *to* 1903.

Years.	Immoveable property.	Plant.	Depreciation Fund.	Amounts Written off.	Debenture Sinking Fund.	Dues to Madras Bank.	Profit and Loss.	EXTRACTS FROM DIRECTOR'S REPORTS.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1896	1,68,077	6,60,938	2,51,341	.....	.....	1,85,345	+ 36,216	
1897	2,12,104	7,19,915	3,07,361	56,020	47,637	2,94,604	+ 85,717	
1898	2,53,250	8,00,652	3,66,375	59,014	55,672	2,55,602	— 47,802	"The Cotton Department has been practically stopped, and the Woollen and Hosiery Departments have only been working up to about half the normal standard" * * "The total sum at debit is Rs. 47,802. The usual Depreciation of Buildings and Machinery is included in the above" (*Vide* Report, 31st December 1898.)
1899	2,77,260	8,25,050	4,29,104	62,729	59,093	2,35,399	— 72,989	"Only a little more than half the spindles were running at the end of the quarter, and it is not likely that they will all be at work before end of June." (Report, 31st March 1899.) "Machinery.—In June the machinery was got to work *, * the Mill has been restored to a position for work nearly equal to that which existed prior to the Plague" (Report, 30th June 1899). Though half the spindles were idle for half the year, and the debit against the Mill was Rs. 72,989, the usual rate of Depreciation, *viz.*, Rs. 62,729 was written off.
1900	2,85,719	9,21,552	4,97,580	68,476	62,737	3,67,714	— 87,030	"Short time at 5 days a week in the Cotton Department was reduced from March to 4 days (Report, 31st March 1900). During the next quarter the Cotton Department has been working only 57 days out of a possible 77. The Depreciation written off this year was Rs. 68,476 while the loss stood at Rs. 87,030.
1901	2,85,719	9,54,928	4,97,580	.....	66,606	3,91,988	— 37,970	
1902	2,85,886	9,85,924	5,35,734	38,154	70,714	2,38,478	+ 23,774	
1903	2,86,840	9,87,465	5,64,114	28,380	72,862	1,61,538	+ 490	This is for the past half-year, the Mills are now working at a profit.

To the Agents, Woollen Cotton & Silk Company Ld — Bangalore

MYSORE GOVERNMENT
7L654
26 OCT 1933
GENERAL AND REVENUE SECRETARIAT

Dear Sir

I as a shareholder of the Mills, beg to forward herewith for your consideration & opinion a memo by Mr Standish Lee suggesting the obtaining of Counsel's opinion on the following points connected with the management of the Mills. —

2. First — The revaluation of the Mills, Buildings & Plant — to write back shares the depreciation written off in past years he found to be excessive, and also to determine the proper rate for assessing depreciation in future annually — The Appropriation of the "Debenture Sinking Fund" formed out of Earnings for distribution as dividends spread over 5¼ years during which time the Shareholders have had no return for their money.

3. I should also like to know when the 1000 Rs a month honorarium passed by the Directors to a member of the firm of Agents, while at the same time the Agents drew their usual Commission, ceased to be drawn, if it has ceased, & whether the drawing of such honorarium by the said member & his continuing at the same time on the Direction was not contrary to the spirit of the Articles of Association & of the Indian Companies Act.

4. As I believe that the action of the Agents in the matter of the Depreciation Fund

Fund has been dictated in the interests of the Capitals of the Mills to the sacrifice of the claims of the Shareholders to a proper share of their Earnings. I hope the suggestions made by Mr Standish Lee will receive fm Careful consideration & save the impoverished Shareholders the cost of obtaining legal advice or further action in that direction

Yours truly

Myers
11. 10. 00

for T. J. Wilson

Copy
J.J.

The Bangalore Woollen, Cotton & Silk Mills Co. Ld.

Madras, 17th October 1903. 18---

Colonel T.J.McGANN, I.M.S.,

MYSORE.

47-031

Dear Sir,

I We are in receipt of your letter of the 11th instant, covering copy of memorandum by Mr Standish Lee, dealing with the depreciation charged in the accounts of this Company and with an alleged allowance to Mr Chambers.

II With regard to the latter, dealt with in para 4, we beg to say that no such allowance has been made by the Company to Mr Chambers, and we shall be glad to hear from Mr Lee what his authority is for making the statement.

III In regard to the scale on which depreciation has been written o you will see from our letter of 3rd September 1901, that the whole questic turns on the fact of the continuous improvement that has taken place in spinning machinery for years past and the rapidity with which such plant consequently becomes obsolete. It is not the mere wear and tear of the plant that has to be provided for, but its reduction to scrap value by supercession, and "arduous"or "slack" working has no bearing whatever on this factor in depreciation of value.

IV Nor is this supercession confined, as Mr Lee would argue, to a mere fraction of the machinery. Improvements ah have been made through the whole range from Blow Room to Ring Frame. To bring our production to a level with that of the new mills competing with us we need, at the

present moment, a new Blow Room, ~~a~~ new flat cards and new ring frames. Woollen machinery is less progressive than cotton, but much of the plant in this department, that was good enough when Mr Lee was connected with it is now obsolete and has had to be replaced, or much altered. There is no comparison, for instance, between the work of the old looms and that of those added some two years ago, either in production or quality. These new looms will doubtless themselves be soon improved upon. The cards have had to be altered and improved condensers added at a considerable cost, whilst the finishing plant has had large additions made to it and is still not up to the modern standard.

V Mr Lee's idea that 2½% can in any way represent modern home practice in depreciation of machinery is very wide of the mark. A standard book, Dicksee's "Auditing" has the following:-

"Machinery depreciates by wear and by becoming obsolete. In addition to charging all repairs and (partial) renewals to revenue, from 7½ to 12½ per cent should be written off annually from reducing balances".

VI This opinion refers to machinery in general, whilst cotton machinery is notoriously more in danger of becoming obsolete than almost any other and should therefore be subject to the highest rate of depreciation.

VII The exact rate of depreciation to be allowed in any particular instance is a matter for expert knowledge of the conditions of the trade. We have had some considerable experience in the management of cotton mills and we consider that the rate recently charged in these mills of 3%

The Bangalore Woollen, Cotton & Silk Mills Co. Ld

Madras, 18

original cost of buildings and 5% on original cost of machinery, wrrs in being too low and has only been justified by the poor trade results. Mr Lee is probably unaware that 10% on machinery is frequent in Lancashire concerns. We should certainly advocate 7% in prosperous times as a minimum.

VIII The question of whether the depreciation should be calculated on cost or on reduced depreciated value is one on which practical opinion differs. It is evident that the latter system continues a reducing depreciation for ever and that the cost of the machinery is never cleared off.

IX A revaluation from time to time of the plant may under some circumstances, be an excellent check on inadequate writing down, but we regard it as quite inapplicable to our conditions. A mill manager is no doubt, as Mr Lee says, competent to say the extent to which a machine is worn and to assess its value accordingly, but to determine what money difference there is in comparison with a more modern machine is a very different matter and one which requires the introduction of a host of business considerations.

X To make any such estimate the ground for writing back the value already written off, would to our mind be inadvisable in a high degree. We have never heard of such a thing being done, and whether legal, or illegal, we should strongly dissuade the shareholders from even considering it.

XI Assuming that such a revaluation were made, that counsel's opinion was favourable and that the shareholders determined that a con-

The Bangalore Woollen, Cotton & Silk Mills Co. Ld.

Madras, 18

considerable sum should be written back to Profit & Loss and divided, a glance at the Balance Sheet will show you that the amount of any such dividend would have to be borrowed for the purpose. The opinion of the lenders as to the legitimacy of the whole proceeding would then be of importance. We doubt if their approval could be secured, and without it, we fail to see the use, for any practical purpose, of legal opinions, or legal action.

XII It is quite open to the shareholders to discuss and determine in General Meeting what rate of depreciation shall be charged on their property and we shall only be too happy to go into the whole question with them at any ~~rate~~ time. But shareholders will unfortunately not give us the opportunity. At the last General Meeting, one shareholder, a director attended; at the adjourned Meeting, two, both directors. At the previous year's Meeting there were two shareholders.

XIII We can assure you that our action in this whole matter of depreciation is solely in the interests of the shareholders themselves. We have ourselves no other interest in the matter and we should be glad if you could show us how we benefit by excessive depreciation. It suits us to have as large a dividend as possible, but it is our duty to see that the best interests of the concern are considered and that the property of the Company is preserved intact. The capital of the Company is the shareholders' capital and we are both legally and morally bound to see that it is not distributed in dividends which have not been earned.

The Bangalore Woollen, Cotton & Silk Mills Co. Ld

Madras, 18

XIV In regard to para 3 of your letter, the Debenture Sinking Fund has practically gone to the reduction of debt. Only a little over two lakhs out of the four lakhs sanctioned for the new issue of debentures have as yet been taken up. The balance sheet will show you that but for the existence of this fund, a further Rs 72,864-4/- would have to be provided for in other loans. The shareholders might conceivably write back and divide this sum, but they would have to consider how the cash for the purpose would be obtained.

XV. In regard to the table on p.5 of Mr Standish Lee's memorandum, it should be noted that the figures given by him under the heading "Profit & Loss" do not represent, as might be supposed the result of the year's working, but merely the balance carried forward in the account, which is a very different matter. It would seem that Mr Lee intends the former interpretation from his marginal note to 1903, "the mills are now working at a profit".

We are, Dear Sir,

Yours faithfully,

Agents, Secretaries & Treasurers.

Encl

10 Drafting a letter prepared by Mr Finnis here to be sent to the Agents on a reply to this letter to me of the 27.10.03

Mr F

16

27-1-03

The Agents, Secretaries
and Treasurers

P. C. and S. Mills Company

Dear Sirs,

I have been favoured with your letter dated 17th October 1903 to Colonel McGann and I beg to thank you for your considerate treatment of my comments on the management of the Mills.

2. In regard to para 11 I have in a former communication informed you that my authority for the statement that a monthly allowance of 1000 rupees was passed by the Company & a partner of the Firm of

of Agents, is the book of Proceedings of the Directors passed in Circulation

3. In para IV you say "nor is this supercession Confined, as Mr. Lee would argue, to a mere fraction of the Machinery."

In amplification of this view, you further says "improvements have been made through the whole range from Blow-room to ring-frames, making it therefore necessary to provide (1) new Blow-room, (2) new flat-cards and (3) new ring-frames. Thereby implying that the remaining machines which are the more expensive ones, have remained Stationary. These latter consist of Steam-Engines, Boilers, Economisers, Shafting, Belts, Pulleys, Reeling, Hanking, Testing, Weighing, and Baling Machines, Dynamos, and Electric lights, and again you ~~admit~~ say "Woollen Machinery is less progressive and quote a

a few instances where improved machinery have been supplied during the long period of 18 years, since my handing over the Mills. Thus, I submit that my contention, that generally only a fraction of the plant of Textile Mills are subject to become obsolete within a few years, is confirmed by your own showing. Your extract in para V also confirms my view, that depreciation "should be written off annually from "reducing balances", and though you contest the rate and say, "5% on original cost of machinery is too low", your quotation is from 7½ to 12½% on reducing balances, whereas, the reduced rate of 5% now written off on original cost will probably work out as 15% on "reducing balances".

If I am wrong, I would be thankful to see actual figures worked out from your books.

4 It appears to me that in your Contentions for high rates of depreciation, so as to be prepared to take advantage of improvements in Machines as soon as they are available, you have yet to show by actual figures that such a system of working a Mill, is always the most profitable. I have during an acquaintance of 48 years with Machinery often found that it was far more economic to work, as long as it is possible to do so, with a Machine having a less out-put than incurring the expenditure of an improved type, which in its turn may any day be superseded. Take as an instance, the

the Engine of the Mills, which is far from perfect when compared with the Engines of to-day, and yet you find it more economic to continue using it, than to introduce a new one.

5. In the following instance you have an opportunity to set me right in this matter. You say, "to bring our production to a level with that of the new Mills competing with us we need at the present ~~moment~~, a new Blow-room, new flat cards, and new ring-frames." Calculate the cost of effecting these improvements and show that after writing off 12½% on (a) the depreciated value of present Machines, plus (b) the cost of the new installation, the increased earnings would still show a margin

of

of profits over present results.
6. To state it more defini-
-tely. - Let

stated

~~Alperaci~~
algebraically.

7. Your statement in para
V " Mr Lee's idea that
2½% can in any way
represents modern home
practice in depreciation

depreciation of machinery "is not I think quite correct. What I said was "Unless there is an apprehension of the plant becoming obsolete, 2½ per cent is sufficient in the case of machinery of good quality moderately worked, when the expenses of installation and of liberal repairs are defrayed out of revenue." To show that I am not wrong I would allude to the old Steam Engine in use at the time of my transferring the Mills. This Engine has now been running for 38 years and is still daily at work. It is certainly not of the most economic type, but still the Mill finds it more economic to continue at work it than to incur the expense of replacing it with

with one of modern type

8. From para VIII, that 3% on original Cost of new buildings, such as the Mills, erected most substantially under the Supervision of a Government Engineer, and maintained in perfect repair out of revenue, is ~~excessive~~ too low, will ~~be apparent~~ not be sustained? When attention is drawn to the fact that at this rate of depreciation the value of house property is reduced to

to 0 in 33 1/3 years. Such cannot be your own experience, since your office premises are over 100 years old and are probably more valuable now than when first-constructed.

9. The Law requires the book-value of Mills to be maintained at market value. The woollen mills buildings have × been rising in value, while 6% has been written off annually until within the last 3 years, when the rate of depreciation was reduced to 3%. The rate for dilapidations allowed — under the Rules of Govt for the valuation of buildings is considerably less than 3%, and the personal experience of every one is against the theory that a well constructed building is reduced to rubbish in 33 1/3 years. I hope, therefore, no

9. Does this mean original cost or the sum which the Mill stand in the books? It means the value after deducting the sums written off yearly for depreciation

× Are Mill buildings or the land on which they are situated? Buildings & land are included. Both have risen in value, as the cost of building is now very much higher than when the Drum block was erected.

no objection will be taken if I say, that when 6% per year, at which rate the life is still further pre-duced to 17 years, was written off, it was without due consideration for the interests of the present shareholders, and that it was an undue diversion of these earnings for the benefit of fortune holders of these depreciated shares.

10. Your para X. I can quote authority for readjustment of book values after re-valuation, but since you are strongly opposed to such a proceeding, I shall not press the matter further: but, I beg you will adopt a rational method in future, that is, let the rates of per-centages for depreciation be "justified by the trade results", and this brings me to the conclusion in my memo

memo of 30th August, 1901, that in years of poor trade results a moderate rate of depre-ciation should suffice, and not such large sums as puses 55,000 Rs 59,000 and Rs 62,000 as in 97/98/99/00, during the whole of which period the Mills were working at final loss

11. To enable me to comply with your proposal in para XII, that the shareholders should discuss in General Meeting what rate of depre-ciation should be charged, I beg you will favour me with a list of Shareholders and their addresses, and I shall arrange that those who are not residents of Bangalore are duly represented by attorney, or substituted attorney, as provided by the articles of association.

12. Your para XIII. No one has ever doubted your

your "bona fides" in the management of the trust reposed in you by the shareholders to conscienciously discharge your legal and moral obligation, to safeguard their interests, but you will admit, that it is possible to err by giving these responsibilities an undue importance, which is all I wish to draw your attention to.

that is, by practicing excessive prudence in setting off for depreciation more than is necessary

13. With all due deference to your experience in the management of Mills, I beg to state that the same facts may strike different minds differently, in the direction, no doubt, of their several interests. While you can view calmly results that do not affect your position as agents, or emoluments shareholders, who have had no income from their capital for years cannot be

27

lee indifferent to an indefinite prolongation of the ~~unproductive period~~

14. In regard to the assertion that you are "both legally and morally bound to see that it (Capital) is not distributed in dividends which have not been earned" I beg emphatically to assert that I have no where suggested the distribution of capital as dividends, and if I am incorrect in saying so I beg you will kindly ~~correct me~~ show me where I have shown. I however strongly protest ~~calling~~ claim viewing sums of money written off in excess to depreciation and sums set apart for Reserve Funds out of bona-fide earnings as Capital. Unless this Construction is put on it by you, I fail to see wherein I have given you ~~Cause~~ grounds for the above assertion.

x from conclusion is not that it is unproductive, but that money which is currently legitimately distributable in dividends is for other ways so far as it is distributed

practice which has deprived them of a fair proportion of their earnings for distribution as Dividends.

15. I further beg to submit that the reason assigned for not dealing with the Debenture Sinking fund as proposed by me, viz:- that, "but for the existence of this fund, a further Rs 72,864-4-0 would have to be provided for, in other loans," is not supported by the requirements of the Companies Act, and if this argument be admitted as correct, it may be carried still further by setting apart all future earnings to the Debenture Sinking Fund until all necessity to borrow ceases. If this view of yours is a forecast of future management the sooner the shareholders go into Liquidation the better for their interests

16. The statement referred

b

to in para XV of your letter 29 was prepared from ~~with~~ Headings and figures taken from the Co's published reports. ~~If these figures do not represent facts more clearly~~, I beg you will favour me with ~~them for~~ figures for any correcting my statement.

17. In Conclusion, I beg to state that I view with extreme anxiety and apprehension the prospect of the Mill shares ever yielding any dividends if you carry out your views that the rates of depreciation ~~are~~ recently adopted "err in being too low," and should be raised, as soon as there are better "trade results" to 7% on original cost of all machinery whether of a class subject to rapid improvement, or whether consisting of unused parts kept in reserve, and that the

I shall draw bring conclusion from these which he stated to be known how & to what extent

~~the results of the year's working~~

but since you say that these figures do not represent the result of the year's working, but merely the balance carried forward in the account,

the rate of depreciation on buildings should be arbitrarily assumed at a figure reducing the life of buildings to a limit opposed to the experience of every one who has lived in houses.

[illegible]

[illegible]
28/10/03

MYSORE GOVERNMENT
GENERAL AND REVENUE SECRETARIAT

CONFIDENTIAL, FOR SHAREHOLDERS ONLY.

CIRCULAR.

To

THE SHAREHOLDERS,

The Bangalore Woollen, Cotton & Silk Mills Co., Ld.

GENTLEMEN,

We have recently been in receipt, from several of the shareholders, of letters, almost identical in form and each enclosing a copy of a memorandum, signed by Mr. Standish Lee, as "Government Director."

Mr. Lee contends that the machinery and buildings of the mills have been depreciated on too high a scale,—that there should be a revaluation of the property, which he considers could be easily done,—and that the surplus value in comparison with the existing balance sheet figures, which he assumes would be the result of this re-estimate, should be carried to the credit of Profit and Loss Account for division among the shareholders in the usual course.

He also desires to see the Debenture Sinking Fund, which, as he correctly says, has come from Profit and Loss Account, written back and divided.

He asks that we should take Counsel's opinion as to the legality of doing these things.

We regard these proposals as impracticable and as adverse to the true interests of the shareholders and have decided, in view of the systematic agitation, which seems in progress, to place before you a statement on the subject of the arguments and assertions contained in the circular in question.

To prevent misapprehension, we may say that we have no reason to suppose that the Government of His Highness the Maharajah of Mysore, shares the opinions of Mr. Standish Lee, or that the official signature used carries in this matter any official authority.

In respect to Mr. Lee's allegation regarding a personal allowance to Mr. G. L. Chambers, we may say that no such allowance has been paid to him, or to any one else.

Preliminary to a discussion of the merits of the rest of Mr. Lee's circular, we have to point out that the figures he gives purporting to represent the Profit and Loss Account of the Company are inaccurate.

We take the following from the published Directors' Reports, which Mr. Lee presumably possesses:—

	MR. LEE.	DIRECTORS' REPORTS.
1896.	P. 36,216	P. 63,984
1897.	P. 85,717	P. 85,719
1898.	L. 47,802	L. 40,556
1899.	L. 72,989	L. 25,186
1900.	L. 87,030	L. 14,068
1901.	L. 37,970	P. 49,060
1902.	P. 23,774	P. 60,704
1903, 1st ½ Year.	P. 490	L. 14,851

The first half of the current year made a loss owing to the shortness of orders for blankets, but this has been more than compensated for in the 3rd, Quarter.

In coming to Mr. Lee's main contention, that the depreciation charged has been excessive, it may be useful to explain, to such of the shareholders as may not clearly understand the matter, what this charge really is.

Machinery wears out and after a certain period, becomes of no more value for manufacturing purposes than so much old iron. Buildings decay, both by the vibration of the contained machinery and by the effect of time. This may be called the natural death of an industrial concern and its effects have to be anticipated by a prudent provision during life, just as a wise person whose fortune was dependent on the continued existence of some one else, would take out an insurance policy on the latter. The insurance policy of an industrial concern is the annual placing to a separate account of a certain proportion of the value of the machinery and buildings, so that when the time comes, as it certainly will come, when they are useless, there may be the means of replacing them by new plant.

Such a provision is called depreciation and it is exactly as much a part of the cost of manufacture of your goods as coal, or wages, or interest on borrowed capital. It has therefore to be provided before a profit can be said to have accrued. If this is not done regularly and systematically, a part of the profit shown is really taken from capital and illegitimately distributed. Ultimately, from the disappearance of plant, profits cease, the capital is gone and the shareholders have nothing to show for their shares.

Now, besides this natural death of machinery, there is what we may call an artificial death. A machine may cease to produce a profit from simple wear and tear, which is the case considered above, but it may also, whilst still mechanically in perfect order, be unable to work, except to a loss, when competing with a later and better machine. For business purposes, it is then as dead as if it were completely worn out and its replacement has to be provided for in just the same way.

Mr. Lee apparently thinks that 2½ per cent depreciation is enough and he further holds that it should be on the diminishing balances produced by the annual writing off from the original cost of the percentage taken. He objects to our plan of writing off the percentage annually from the first cost and not from the diminished values

It will be as well to see in what time the cost is replaced under each of these systems at different percentages.

With percentages on original cost, capital is replaced :—

10	per cent in	10	years.
7½	do	13·3	do
5	do	20	do
3	do	33·3	do
2½	do	40	do

Percentages written off on a diminishing balance can never replace capital entirely, but the difficulty is usually met by assuming a scrap value and depreciating down to that figure. 5 per cent scrap value would be a fair

assumption for such machinery as yours and, on this basis, first cost would be written down on diminishing balances, as follows :—

20	per cent in	13·4	years.
17½	do	15·6	do
15	do	18·4	do
12½	do	22·4	do
10	do	28·4	do
7½	do	38·4	do
5	do	58·4	do
3	do	98·4	do
2½	do	118·3	do
1½	do	198·2	do

18 Mr. Standish Lee's opinion as to the proper rate of depreciation is expressed on the first page of his memorandum :—"Unless there is an apprehension of the plant becoming obsolete, 2½ per cent. is sufficient in the case of machinery of good quality moderately worked, when the expenses of installation and of liberal repairs are defrayed out of revenue."—"Where buildings are properly maintained in good repair out of revenue, a depreciation of 1½ per cent. is sufficient."

19 The profitable working life that Mr. Lee takes of buildings is, therefore, 198 years and, of machinery, 118 years.

20 The former life has, as every one knows been exceeded by many well-built houses in Europe, but no factory can possibly approach such a term. It would become obsolete in much less than half the time and is constantly shaken by moving machinery. There are very few factory buildings, 100 years old in England.

21 In regard to machinery, it is our opinion, in favour of which we can quote the views of others in the trade, that the paying life of a large part of the machinery of a cotton mill does not extend to more than ten, or fifteen years at the outside and that, if profits are to continue, it should be replaced at the end of that period. In this view we obviously require for cotton machinery a steady depreciation at the rate of 7½ per cent on first cost, or, on the diminishing balances system, of 20 per cent.

22 Improvements in woollen machinery have not been so continuous as in the case of cotton and its paying life is probably, with our present conditions, somewhat longer. Still there are constant changes and in the face of these and of the possibility of further alteration in the future, we should regard it as very unwise to lower the depreciation charged to wool below what we have already shown to be needed by cotton.

23 Hosiery machinery stands in a similar position to cotton machinery and should be depreciated in the same way.

24 Owing to the suspension of depreciation in 1901—02, the rate actually charged on machinery during the 7 years, 1896—1902, averages less than 5 per cent. This gives a profitable working life of over 20 years, which we consider too long an estimate.

25 Mr. Lee contends "that the rate of deterioration (? depreciation) should be regulated according as the period or year was one of arduous working, or an average, or an idle one." Plainly this contention is fallacious, as far as the

supercession of machines by improved ones is concerned, whilst a silent mill, in the opinion of competent judges, deteriorates in condition, nearly as much as if it were worked. To us, there seem to be no grounds for adopting Mr. Lee's opinion in this matter.

26 Mr. Lee appears to think that in 1901, by not charging depreciation for that year, we partially adopted his view. Our letter of the 3rd. September, 1901, plainly shows that this was not so and that we had every intention of making up the lost depreciation in more favourable times. The fact was that the mills were just emerging from a period of heavy losses, due to plague and bad trade and it was felt to be impolitic to increase the large balance at debit of Profit and Loss account more than was absolutely necessary.

27 Let us next consider the proposal, which Mr. Lee has been pressing for nearly nine years past, that the mill should be revalued as a check on the amount of depreciation.

28 He says it is "the approved English practice". So it is in certain simple trades, a contractor, for instance, may re-value his plant at the end of a contract, but we have never heard of such a thing in a mill, except for purposes of sale, and there are good reasons why such a thing is impracticable. The mill managers are, as Mr. Lee states, quite competent to assess the wear and tear and to say if a machine is obsolete, or not. A door must, we know, be open, or shut, but, for business purposes, a machine is not either "obsolete", or "not obsolete." It is usually partially obsolete and what the mill managers are not competent to estimate is the pecuniary difference in the value of the machine due to this partial supercession. That is a most delicate and difficult commercial question, dependent on many considerations of market, of competition, of costs of production and of a host of other things and, instead of being the easy affair Mr. Lee thinks, is almost impossible to be put into rupees and annas. The value, in any case, would be a mere estimate by some one person, from whom every other expert would probably differ.

29 Mr. Lee wishes dividends paid on such a basis as this. We entirely differ from him.

30 Mr. Lee's next contention is that the debenture Sinking Fund should be written back to Profit and Loss account and divided, we presume, amongst the shareholders. This fund has practically gone to its original purpose, the reduction of the Company's debts, as a glance at the balance sheet will show you. Were the item of Rs. 72,864-4-0 non-existent, the Company would owe that much more in some other quarter. Mr. Lee talks of the 4 lakhs of debentures as being the original amount, but this figure is "sanctioned" and not "subscribed," except to the extent of a little over 2 lakhs, a very material practical difference. We may add that such an agitation as Mr. Lee is promoting is the very best way of preventing the balance of the debentures being taken. Who is likely to advance money on debentures to a concern in which a party is being formed to vote away the Debenture Sinking Fund and to divide an estimated excess of depreciation? At the present moment and in the present interests of the Company, no proposals could be more ill-judged.

31 Again, suppose that Mr. Lee succeeds in persuading you to vote a division of this fund, as we presume you have a right to do, it must be plain to everyone that a dividend has to be paid in cash. From what source does Mr. Lee propose to derive the money needed? If it is to be borrowed, we are afraid he will have to find his financier as well as his votes. We know no one who would make an advance for any such purpose.

35

32 Just the same position would, as it seems to us, arise in regard to a dividend to be derived from a reversal of depreciation by a new valuation of the mill.

33 Mr. Lee suggests and has apparently persuaded a number of you to believe, that the difficulties in the way are legal ones and that we ought to take counsel's opinion on various points. We think that you will recognise, from what we have written, that the questions raised are purely business ones and that, until, at all events, you decide these in Mr. Lee's sense, which we do not for a moment suppose you are likely to do, a lawyer's views are superfluous.

34 The Company, for several years past, has undergone a very trying period, which has proved disastrous to a large number of mills all over India; there are now promising signs of a time of better trade and we should earnestly advise you not to be led away by an agitation, which would reverse the sound business principles which have hitherto guided your affairs in the matter of depreciation. In doing so, you might temporarily increase your dividends, but retribution would certainly follow.

BINNY & Co.,

Agents, Secretaries and Treasurers.

BANGALORE,

October, 1903.

36.

Office Draft. (Docket.)

The Mysore Government,
General & Revenue Secretariat,
Revenue Branch.

G 7 1 - 03 - 3

To W. W. Scott Esqre
Examiner, P.W and Ry
Accounts,

Date of passing the draft 31. 1. 04
Date of despatch D 2 2
R 2248.

Regd. No. R. 7. 241 of 1892
File No. & date (if any)

No. of Encls.

Has the honor to enquire whether he would be willing to serve as a Director on behalf of Government on the Board of Directors of the Bangalore Woollen, Cotton and Silk Mills Co, Ld, Bangalore, which post has fallen vacant owing to the retirement of Mr. E. R. Subbroyer ~~Retired~~ Comptr. Mr. G. W. H. the mudiman
An early reply is requested

By Order

N
2/2/4
for Secretary.

Personal Service

W.
2/2/04
Comptr. 2/2.

F.C. 2/2

FC 1306

37

MYSORE GOVERNMENT
1904
9 - FEB 1904

From The Examiner,
P.W. Accounts of Mysore.

G 7 1 - 03 - 4

To L. Anantasami Rao Esq, B.A.,
Offg: Secretary to the
Government of H.H.
the Maharajah of Mysore.
General & Rev: Deptts.

Dated 8 February 1904.

Despatched

Received

General No. 5070

No. 8

Enclosure No.

Informing that he has no objection to serve as a Director on behalf of the Government of the Mills referred to in the letter.

FC 1/1
9/2/04

File putup
16/2
17/2

17/2

18/2/04

38

PW— 114]

No. 5070/8

MYSORE PUBLIC WORKS DEPARTMENT.

CENTRAL OFFICE OF ACCOUNTS

BANGALORE, 8 February 1904.

From

The Examiner,

P. W. Accounts of Mysore.

To

L. Anantasami Rao Esq, B.A.,

Officiating Secretary to the

Government of His Highness

The Maharajah of Mysore.

General & Revenue Department.

Sir,

In reply to your No.R 2248 / RF 241 of 1892 dated 31st ultimo enquiring whether I would be willing to serve as a Director on behalf of Government on the Board of Directors of the Bangalore Wollen, Cotton, and Silk Mills Company Limited, Bangalore, I have the honor to state that I have no objection to ~~same~~ serve, if Government so desire it.

I have the honor to be,
Sir,
Your most obedient servant,

Examiner,

P.W.Accounts of Mysore.

8/-

MGCPB—650—22-8-02

H: 1349

190

39

From

Bonny & Co
Agents &c.
Bangalore Woollen, Cotton & Silk mills

MYSORE GOVERNMENT
10 FEB 1904
GENERAL & REVENUE SECRETARIAT

To

THE SECY. TO THE GOVT. OF MYSORE,
GEN. & REV. DEPTS.

Dated 9-1-03-5

Despatched

Received

General No.

No.

Enclosure No.

Forwards a copy of their report for the Quarter ending 31st Dec. 3.

27/2
BR.
27/2/04

References to be marked.

Please put up to file
BR
29/2/04
Sub-D to the

REPORT OF THE DIRECTORS
OF
THE BANGALORE WOOLLEN, COTTON AND SILK MILLS Co., (Limited.)

For the Quarter ending 31st. December, 1903.

After providing for depreciation the result of the quarter's working is a profit of....	Rs. 14,213	5	2
Adding the balance at credit of Profit and Loss Account of	,, 10,709	15	11
There is an available balance of	Rs. 24,923	5	1
From which your Directors propose to pay a dividend at the rate of 8 per cent. per annum for the quarter, amounting to	,, 11,218	0	0
And to carry forward a balance of	Rs. 13,705	5	1

It is not believed that the system of quarterly balance sheets and reports, which was instituted in 1896, presents sufficient advantages to compensate for the considerable additional clerical labour involved and it is intended, unless the Shareholders express a decided wish in favour of its continuance, to abandon the present practice and to revert to the former and more usual plan of half yearly Reports.

The latter part of the quarter under review has been characterised by a heavy rise in the price of cotton, due to the action of an American "Corner", but based apparently on a real shortfall in the crop in the United States. It is questionable, however, whether the advance is not greater than is justified by the actual deficit and whether a certain reaction is not to be expected. In the meantime, Indian markets have been affected sympathetically and cotton, which was purchasable at the commencement of the quarter at Rs. 120/- per candy, is now nominally worth Rs. 155 to Rs. 160 in Bangalore. The price of yarn, as against this increase in cost of the raw material of about 30 per cent, is only some 10 per cent over what it was in September, or much below a covering figure. A further unfavourable influence is the prospect of war in the Far East, which is likely to check the consumption in China of Indian spinnings and to consequently prevent the natural rise of prices of yarn in this country by the increased supplies thrown on the local market. After present stocks of cheaper cotton are exhausted, the prospects of a profitable trade for the cotton department are, it is to be feared, unfavourable and short time may have to be adopted in April, unless matters improve.

The Hosiery department, as it mainly consumes cotton yarn, has been unfavourably affected by the rise in cost and an acceptance of higher prices has yet to be obtained from dealers.

There has been a fair supply during the quarter of remunerative orders to the Woollen Department and several contracts for the ensuing year have been already secured.

As the Mill has again worked to a substantial profit, your Directors, in accordance with the precedent of last year intend proposing a bonus to certain of the staff at the approaching General Meeting.

J. A. BOYSON,
W. C. SCOTT,
H. EAGLES,
A. MAIGANDADAVEN,
J. W. CHAMBERS,
} *Directors.*

The Bangalore Woollen, Cotton & Silk Mills Company, (Ld.)

Dr. *Profit and Loss account for the Quarter ending 31st. December, 1903.* **Cr.**

1903					1903				
Nov. 16th.	To commission to Binny & Co., for Quarter ending 30th September 1903 ..	1,500	0	0	Sept. 30th.	By Balance ..	23,427	15	11
Nov. 30th.	To 8% per annum divided for the Quarter ending 30th September 1903 ..	11,218	0	0	Dec. 31st.	By Credit Balance of Trade account for Quarter ending 31st December, 1903 ..	14,213	5	2
	To Balance ..	24,923	5	1					
	Rupees..	37,641	5	1		Rupees..	37,641	5	1
						By Balance brought down ..	24,923	5	1

Examined and found correct.

H. EAGLES.
Auditor.

BINNY & Co.,
Agents, Secretaries and Treasurers.

J. A. BOYSON,
J. W. CHAMBERS,
A. MAIGANDADAVEN,
W. C. SCOTT,
Directors.

Insurances in force on 31st. December, 1903.

Nos. on Plan.	1	2, 3, 4 & 5	6	7	8	9	10	Total.
	Two storied, lower storey, cotton and wool carding and preparation; upper storey, ring spinning, reeling, bundling and winding.	*Two storied, lower storey, hosiery pressing and finishing wool tentering, finishing and packing; upper storey, all one room, hosiery manufacture.*	*Wool weaving.*	*Dyeing & Bundling.*	*Baling.*	*Wool mixing shed.*	*Non-Specification Policies.*	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Buildings	1,25,000	35,000	20,000	8,000	500	2,000	36,500	2,27,000
Machinery and Accessories..	4,53,500	1,00,000	33,000	4,000	3,500	2,000	..	5,96,000
Stock	25,000	50,000	2,000	1,000	500	5,000	3,39,500	4,23,000
Total Rs..	6,03,500	1,85,000	55,000	13,000	4,500	9,000	3,76,000	12,46,000

Uninsured portions of the buildings:—

Boilers and Boiler House.

Engine and Engine House.

Blowing and Teasing Rooms, and contents.

Mechanic's Shop and contents.

Cotton Mixing Room.

Balance Sheet of The Bangalore Woollen, Cotton and Silk Mills Company, (Ld.)

For the Quarter ending 31st. December, 1903.

Dr. **Cr.**

	CAPITAL AND LIABILITIES.		Rs.	A.	P.	Rs.	A.	P.
		AUTHORISED CAPITAL.						
I	**Capital.**	6,000 Shares of Rs. 100 each	6,00,000	0	0			
		Less, not issued	34,600	0	0			
		Of which 45 shares of Rs. 100 each do not rank for dividend				5,65,400	0	0
II	**Debts and Liabilities of the Company.**	Debenture Loan re-payable on 1st. July, 1903	3,000	0	0			
		6 per cent. Debenture Loan re-payable on 1st. July, 1910	2,19,000	0	0			
		Interest on Debentures unpaid	352	9	4			
		Do. do. 1st. Coupon due 1st. January, 1904	6,042	2	8			
		17th Dividend unpaid	751	8	0			
		18th Do. do.	2,606	0	0			
		Sundry Accounts	8,036	8	0			
		Due to Bankers	1,98,988	15	9			
		Discount on Yarn	1,298	11	3			
		Monthly Adjustment	9,966	4	0			
		Acceptance Account	2,737	8	0			
						4,52,780	3	0
VI	**Reserve Funds.**	Reserve Fund	73,960	11	0			
		Depreciation Fund	6,16,830	11	4			
		Bonus Account	211	8	0			
						6,91,002	14	4
VII	**Profit & Loss.**	Profit and Loss	..	..	..	24,923	5	1
		RUPEES....	..	..	..	17,34,106	6	5

	PROPERTY AND ASSETS.		Rs.	A.	P.	Rs.	A.	P.
		IMMOVEABLE PROPERTY.						
III	**Property held by the Company.**	Freehold Land	15,540	4	0			
		Freehold Buildings	2,71,771	15	8			
						2,87,312	3	8
		MOVEABLE PROPERTY.						
		STOCK IN TRADE—						
		Cotton	71,227	5	2			
		Do. Yarn	43,912	2	1			
		Do. Waste	30	0	0			
		Hosiery	37,492	8	0			
		Wool	26,776	1	10			
		Woollen Yarn	1,738	15	6			
		Do. Materials Unmilled	1,040	0	0			
		Do. do. Milled	12,619	8	0			
		Blankets and Jhools	44,654	13	0			
		Stores	36,489	1	6			
		Coal	5,100	3	3			
		Hosiery Materials	23,969	7	5			
		Wool do	11,520	3	9			
						3,16,570	5	6
		PLANT—						
		Furniture	3,439	11	8			
		Engines, Boilers and Economisers	1,56,854	5	11			
		Machinery (Cotton)	4,80,130	7	1			
		Do. (Wool)	2,59,399	10	11			
		Do. (Hosiery)	74,590	1	11			
		Do. (Dye)	3,602	7	3			
		Do. (Spare parts)	11,221	6	3			
						9,89,238	3	0
		LIVE AND ROLLING STOCK—				1,407	8	0
IV	**Debts owing to the Company.**	*(Debts considered good for which the Company holds no security).*						
		Sundry Consignments	5,531	7	0			
		(Debts considered good for which the Company holds security).						
		Sundry Consignments	29,311	4	3			
		Government Departments	68,847	5	7			
		Sundry Accounts	1,252	11	3			
						1,04,942	12	1
V	**Cash and Investments.**	Deposit on Tenders	5,185	0	0			
		Unexpired Insurance Premia	1,275	5	1			
		Binny & Co., General Account	24,369	15	9			
		Cash on hand	3,805	1	4			
						34,635	6	2
		RUPEES....	..	..	..	17,34,106	6	5

I hereby certify that I have examined the above Balance Sheet with the books of The Bangalore Woollen, Cotton and Silk Mills Company, Limited, and that such Balance Sheet is correct and in accordance with Law.

H. EAGLES,
Auditor.

BINNY & Co.,
Agents, Secretaries and Treasurers.

The above Balance Sheet to the best of our belief contains a true account of the Capital and Liabilities, and of the Property and Assets of the Company.

J. A. BOYSON,
W. C. SCOTT,
J. W. CHAMBERS,
A. MAIGANDADAVEN,
} *Directors.*

42

44

Office Draft. (Docket.)

The Mysore Government,
General & Revenue Secretariat,
Revenue Branch.

To

Cy 1 — 03 - 6

The Agents, Secretaries and Treasurers
of the Bangalore Woollen, Cotton & Silk Mills
Co. Ld.

Date of passing the draft 6/4/04
Date of despatch 6

Regd. No. 7C 2729.
File No. & date (if any) RA. 241-1892

No. of Encls.

X
9-3-22

With reference to para 3 of their letter of the 26th March 1904 stating that no decision appears to have been come to in regard to their representation as to the effect of the retirement of Mr. Mandish Lee from the Mysore Service on his position as a prot. Director of the Company has the honor to enquire when the representation referred to was made and to request that a copy thereof may be forwarded for reference.

B. O.
Unsigned
for Secretary

Compd. 6/4

COPIED

7E/792 R.F. 241-92 45

The Bangalore Woollen, Cotton & Silk Mills Co. Ld.

MYSORE GOVERNMENT
1 5 APR 1904
REVENUE SECRETARIAT

Bangalore, Fort 14th April ...1904.

G7 1-03-7

The Secretary to the Government
of His Highness the Maharaja of Mysore,
General and Revenue Departments,
B A N G A L O R E.

Sir,

In reply to your letter No. Fl. 2729 / R.F. 241-1892 dated 6th Instant we have the honour to hand you herewith copies of letters (2) on the subject as desired.

We have the honour to be
Sir,
Your most obedient servants,

For The Bangalore Woollen Cotton & Silk Mills Co. Ld.
Per pro. Binny & Co., of Madras.

AGENTS, SECRETARIES & TREASURERS

Note
Note
R
15.4.04
File putup
SR
20/4

"COPY". 4P

COPIED.

The Bangalore Woollen, Cotton & Silk Mills Co. Ld.

Bangalore, Fort 20th October 1903.

Sir P.N.Krishna Murthi, K.C.S.I.,

Dewan of Mysore,

Bangalore.

Sir,

We have before us a memorandum on various points connected with our action as Agents, Secretaries & Treasurers of these Mills, which we find Mr.Standish.Lee is circulating under his signature as "Government Director".

We presume we are right in supposing that his remarks in no way come with the authority of your Government, of which he is at present a representative on our Board and we submit that, without such authority, he has no right to issue a circular on the affairs of the Company under his official title. To do so, is to give the weight of your Government to grievances which he supposes he has as a private shareholder and we think this is entirely illegitimate.

We understand that Mr.Lee is no longer in the Mysore service and we respectfully suggest that the interest of Government in these Mills would be better secured by the substitution of an official in active service as a Director. Formerly the practice was to appoint the Deputy Commissioner of Bangalore and there are many reasons which would make us welcome that officer on the Board.

We have the honour to be

Sir,

Your most obedient servants,

For the Bangalore Woollen Cotton & Silk Mills Co.

Per pro. Binny & Co., of Madras.

(Sd.) J.W.Chambers,

AGENTS PROPRIETORS & BA

"COPY".

COPIED.

The Bangalore Woollen, Cotton & Silk Mills Co. Ld.

Bangalore Fort 2nd November 1905.

Sir P.N.Krishna Murthi, K.C.S.I.,
Dewan of Mysore,
Bangalore

Sir,

In continuation of our letter of the 20th Ultimo, we have now the honour to enclose for the information of His Highness the Maharaja's Government, as shareholders in this Mill, a circular we are issuing dealing with the action taken by Mr.Standish Lee, under his signature as Government Director.

We venture to think that what we have to say on the subject will convince you of the entire impolicy of Mr.Lee's agitation amongst the shareholders and of the undesirability in the best interests of the concern that he should continue to press his views from the point of advantage of a "Government Director".

We have the honour to be
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Your most obedient servants,
For The Bangalore Woollen Cotton & Silk Mills Co. L.
Per pro. Binny & Co., of Madras.

(Sd.) J.W.Chambers

AGENTS, SECRETARIES & TREASURERS.

[illegible],
[illegible],
[illegible].

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